

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF WASHINGTON

MELVIN OTT,  
  
Plaintiff,  
  
v.  
  
INGENIX, INC.,  
  
Defendant.

No. CV-07-201-FVS

ORDER

**THIS MATTER** came before the Court for oral argument on September 26, 2008, based upon the defendant's motion to dismiss the plaintiff's Lanham Act claim. The defendant was represented by Barbara Duffy; the plaintiff by George Ahrend.

**BACKGROUND**

Ingenix, Inc., is in the business of helping state agencies develop fee schedules. For a period of time, Ingenix employed Melvin Ott, Ph.D., as its "Director of Research and Database." Eventually, Dr. Ott left his job with Ingenix on amicable terms and began acting as a paid consultant to the company. While Dr. Ott was acting as a consultant, Ingenix submitted bids to agencies in several states in response to the agencies' requests for proposals regarding the development of fee schedules. Ingenix listed Dr. Ott as a consultant in its bids. He alleges that he allowed Ingenix to include his name in the bids only on the condition that the company hire him as a

1 consultant in the event that one of its bid was accepted. As it  
 2 turned out, the State of Montana awarded a project to Ingenix, but the  
 3 company did not hire Dr. Ott to work on it. This action followed.

#### 4 **LANHAM ACT**

5 Dr. Ott alleges that Ingenix violated 15 U.S.C. § 1125(a)(1)(A)  
 6 by falsely representing to the State of Montana that he would act as a  
 7 consultant to the company in the event that a state agency hired the  
 8 company to provide services to the state. Section 1125(a)(1)(A)  
 9 states in pertinent part:

10 1) Any **person** who, on or **in connection with** any goods or  
 11 **services**, or any container for goods, **uses in commerce** any  
 12 word, term, name, symbol, or device, or any combination  
 13 thereof, or any false designation of origin, false or  
 misleading description of fact, or **false or misleading**  
**representation of fact**, which --

14 (A) **is likely** to cause confusion, or to cause mistake,  
 15 or **to deceive** as to the affiliation, connection, or  
 16 association of such person with another person, or as to the  
 origin, **sponsorship, or approval of his or her** goods,  
**services**, or commercial activities by another person, . . .

17 . . . . .  
 18 shall be liable in a civil action by any person who believes  
 19 that he or she is or is likely to be damaged by such act.

20 (Emphasis added.) During oral argument, Dr. Ott described his claim  
 21 in more detail. He said he is alleging that (1) Ingenix (2) in  
 22 connection with a proposal to provide services to the State of Montana  
 23 (3) used in commerce (4) a false representation of fact, that was (5)  
 24 likely to deceive Montana authorities (6) concerning his sponsorship  
 25 or approval of Ingenix's proposal. Dr. Ott argued that the preceding  
 26 allegations are sufficient to state a claim for relief under §  
 1125(a)(1)(A). As authority, he cited the *Restatement (Third) of*

1 *Unfair Competition* § 4 (1995).

2 **STANDING**

3 Dr. Ott alleges that Ingenix deceived Montana authorities; but as  
4 Ingenix observed during oral argument, the State of Montana is not  
5 seeking damages. Instead, it is Dr. Ott who is seeking damages based  
6 upon Ingenix's alleged deception. In view of this circumstance, the  
7 Court must determine whether he is the proper party to seek relief  
8 under the Lanham Act. In other words, does he have standing to bring  
9 a claim under § 1125(a)? See *Procter & Gamble Co. v. Amway Corp.*, 242  
10 F.3d 539, 560 (5th Cir.2001).<sup>1</sup> "Standing has constitutional and  
11 prudential components." *Id.* At least three circuits have held that  
12 the doctrine of prudential standing applies to actions brought under  
13 the Lanham Act. *Phoenix of Broward, Inc. v. McDonald's Corp.*, 489  
14 F.3d 1156, 1163 (11th Cir.2007), *cert. denied*, --- U.S. ----, 128  
15 S.Ct. 1647, 170 L.Ed.2d 385 (2008); *Procter & Gamble*, 242 F.3d at 562;  
16 *Conte Bros. Auto., Inc. v. Quaker State-Slick 50, Inc.*, 165 F.3d 221,  
17 230 (3d Cir.1998). Although the Ninth Circuit has not employed the  
18 doctrine of prudential standing in the context of § 1125(a), the Ninth  
19 Circuit has held that a person seeking relief under § 1125(a) must  
20 have standing to bring the claim. "[D]ifferent causes of action  
21 alleged pursuant to the different subsections of 15 U.S.C. § 1125(a)

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22  
23 <sup>1</sup>This is a question which the Court must consider despite  
24 the fact that the parties did not discuss it in their memoranda.  
25 *Bernhardt v. County of Los Angeles*, 279 F.3d 862, 868 (9th  
26 Cir.2001) ("[f]ederal courts are required *sua sponte* to examine  
jurisdictional issues such as standing" (emphasis in original;  
internal punctuation and citation omitted)).

1 have different standing requirements." *Jack Russell Terrier Network*  
2 *of N. Cal. v. American Kennel Club, Inc.*, 407 F.3d 1027, 1037 (9th  
3 Cir.2005) ("*Jack Russell*"). Section 1125(a)(1)(B) is typically  
4 referred to as the "false advertising" prong. *See, e.g., Barrus v.*  
5 *Sylvania*, 55 F.3d 468, 470 (9th Cir.1995). Under § 1125(a)(1)(B), a  
6 plaintiff must demonstrate "(1) a commercial injury based upon a  
7 misrepresentation about a product; and (2) that the injury is  
8 'competitive,' or harmful to the plaintiff's ability to compete with  
9 the defendant." *Jack Russell*, 407 F.3d at 1037. Dr. Ott is not  
10 relying upon § 1125(a)(1)(B). He is relying upon § 1125(a)(1)(A),  
11 which is typically referred to as the "false association" prong. *See,*  
12 *e.g., Barrus*, 55 F.3d at 469. Under § 1125(a)(1)(A), a plaintiff  
13 "need only allege commercial injury **based upon the deceptive use of a**  
14 **trademark or its equivalent** to satisfy standing requirements." *Jack*  
15 *Russell*, 407 F.3d at 1037 (emphasis added). The standard for false  
16 association claims is less demanding than the one that governs false  
17 advertising claims. Even so, Dr. Ott cannot satisfy it. At oral  
18 argument, he stated unequivocally that he is not alleging that his  
19 professional identity is the equivalent of a trademark. Absent  
20 evidence that Ingenix's deception involved a trademark or its  
21 equivalent, Dr. Ott's alleged injury is insufficient to establish  
22 standing under § 1125(a)(1)(A).

### 23 **RESTATEMENT (THIRD) OF UNFAIR COMPETITION**

24 For essentially the same reason that Dr. Ott lacks standing, his  
25 reliance upon § 4 of the Restatement is misplaced. Comment f to § 4  
26 describes the types of conduct which that section addresses. "This

1 Section affords protection," says comment f, "against both direct  
2 diversions of trade and harm to reputation and good will."

3 *Restatement, supra*, § 4 cmt. f. Diversion-of-trade and harm-to-  
4 reputation appear to be distinct concepts. Regarding the former,  
5 comment f states:

6 If the person falsely associated with the actor or with the  
7 actor's goods or services **is in competition** with the actor,  
8 reliance on the misrepresentation by prospective purchasers  
9 may divert trade from that person to the actor. Subsequent  
dissatisfaction with the actor's goods or services may also  
result in harm to the other's reputation and good will.

10 *Id.* (emphasis added). Dr. Ott was not competing with Ingenix for the  
11 Montana project. To the contrary, he was willing, even eager, to help  
12 Ingenix obtain the project as long as Ingenix utilized his services.  
13 Consequently, he is not alleging a competitive injury. Nor is he  
14 alleging harm to his reputation: a point that he emphasized during  
15 oral argument. *Cf. Flynn v. AK Peters, Ltd.*, 377 F.3d 13, 18 (1st  
16 Cir.2004) (robotics scientist alleged that publisher's decision to  
17 list her as a coauthor of a revised edition of a book was likely to  
18 cause confusion among her peers and consumers). Absent either a  
19 competitive injury or an injury to his reputation, his claim does not  
20 fall within the scope of § 4 of the Restatement.

21 This reading of the Restatement is consistent with the manner in  
22 which the Ninth Circuit interprets the Lanham Act. Among other  
23 things, the Lanham Act covers certain false representations that are  
24 likely to deceive consumers with respect to a person's sponsorship or  
25 approval of services. 15 U.S.C. § 1125(a)(1)(A). The deception that  
26 this section prohibits is deception which injures the person's

1 commercial interests. *See Waits v. Frito-Lay*, 978 F.2d 1093, 1107-10  
2 (9th Cir.1992), *cert. denied*, 506 U.S. 1080, 113 S.Ct. 1047, 122  
3 L.Ed.2d 355 (1993). Ingenix may have deceived the State of Montana,  
4 but Dr. Ott has failed to offer evidence from which a rational jury  
5 could find that the deception damaged his business reputation or  
6 otherwise hindered his ability to compete in the marketplace.

7 **IT IS HEREBY ORDERED:**

8 1. Ingenix's motion for summary judgment on Dr. Ott's Lanham Act  
9 claim (**Ct. Rec. 11**) is **granted**. This claim is dismissed with  
10 prejudice because he lacks standing to bring it.

11 2. The Court declines to exercise supplemental jurisdiction over  
12 Dr. Ott's state-law claims. 28 U.S.C. § 1367(c). They are dismissed  
13 without prejudice.

14 3. Ingenix's motion for partial summary judgment on Dr. Ott's  
15 state-law claims (**Ct. Rec. 27**) is **denied** because those claims are no  
16 longer before the Court.

17 **IT IS SO ORDERED.** The District Court Executive is hereby  
18 directed to file this order, enter judgment accordingly, furnish  
19 copies to counsel, and close the case.

20 **DATED** this 30th day of September, 2008.

21 s/ Fred Van Sickle  
22 Fred Van Sickle  
23 Senior United States District Judge  
24  
25  
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